

Motorola Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In millions, except per share amounts)

	Three Months Ended	
	April 3, 2021	March 28, 2020
Net sales from products	\$ 926	\$ 884
Net sales from services	847	771
Net sales	1,773	1,655
Costs of products sales	438	397
Costs of services sales	475	471
Costs of sales	913	868
Gross margin	860	787
Selling, general and administrative expenses	303	341
Research and development expenditures	180	168
Other charges (income)	21	(34)
Intangibles amortization	58	53
Operating earnings	298	259
Other income (expense):		
Interest expense, net	(54)	(52)
Other, net	45	17
Total other expense	(9)	(35)
Net earnings before income taxes	289	224
Income tax expense	44	26
Net earnings	245	198
Less: Earnings attributable to non-controlling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	<u>\$ 244</u>	<u>\$ 197</u>
<u>Earnings per common share:</u>		
Basic	\$ 1.44	\$ 1.15
Diluted	\$ 1.41	\$ 1.12
<u>Weighted average common shares outstanding:</u>		
Basic	169.3	170.6
Diluted	173.2	175.9
	Percentage of Net Sales*	
Net sales from products	52.2 %	53.4 %
Net sales from services	47.8 %	46.6 %
Net sales	100.0 %	100.0 %
Costs of products sales	47.3 %	44.9 %
Costs of services sales	56.1 %	61.1 %
Costs of sales	51.5 %	52.4 %
Gross margin	48.5 %	47.6 %
Selling, general and administrative expenses	17.1 %	20.6 %
Research and development expenditures	10.2 %	10.2 %
Other charges (income)	1.2 %	(2.1)%
Intangibles amortization	3.3 %	3.2 %
Operating earnings	16.8 %	15.6 %
Other income (expense):		
Interest expense, net	(3.0)%	(3.1)%
Other, net	2.5 %	1.0 %
Total other expense	(0.5)%	(2.1)%
Net earnings before income taxes	16.3 %	13.5 %
Income tax expense	2.5 %	1.6 %
Net earnings	13.8 %	12.0 %
Less: Earnings attributable to non-controlling interests	— %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	<u>13.8 %</u>	<u>11.9 %</u>

* Percentages may not add up due to rounding

Motorola Solutions, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In millions)

	April 3, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 1,320	\$ 1,254
Accounts receivable, net	1,090	1,390
Contract assets	767	933
Inventories, net	530	508
Other current assets	235	242
Total current assets	3,942	4,327
Property, plant and equipment, net	1,028	1,022
Operating lease assets	448	468
Investments	168	158
Deferred income taxes	955	966
Goodwill	2,221	2,219
Intangible assets, net	1,180	1,234
Other assets	481	482
Total assets	\$ 10,423	\$ 10,876
Liabilities and Stockholders' Equity (Deficit)		
Current portion of long-term debt	\$ 11	\$ 12
Accounts payable	484	612
Contract liabilities	1,419	1,554
Accrued liabilities	1,181	1,311
Total current liabilities	3,095	3,489
Long-term debt	5,164	5,163
Operating lease liabilities	356	402
Other liabilities	2,286	2,363
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(496)	(558)
Non-controlling interests	18	17
Total liabilities and stockholders' equity (deficit)	\$ 10,423	\$ 10,876

Motorola Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In millions)

	Three Months Ended	
	April 3, 2021	March 28, 2020
Operating		
Net earnings	\$ 245	\$ 198
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	110	99
Non-cash other income	(7)	(51)
Share-based compensation expenses	29	38
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	298	275
Inventories	(24)	2
Other current assets and contract assets	149	48
Accounts payable, accrued liabilities, and contract liabilities	(426)	(301)
Other assets and liabilities	(5)	(4)
Deferred income taxes	1	4
Net cash provided by operating activities	<u>370</u>	<u>308</u>
Investing		
Acquisitions and investments, net	(2)	(36)
Proceeds from sales of investments and businesses, net	2	2
Capital expenditures	(52)	(48)
Proceeds from sales of property, plant and equipment	—	56
Net cash used for investing activities	<u>(52)</u>	<u>(26)</u>
Financing		
Revolving credit facility renewal fees	(7)	—
Repayment of debt	(3)	(4)
Proceeds from unsecured revolving credit facility draw	—	800
Issuances of common stock	45	5
Purchases of common stock	(170)	(253)
Payments of dividends	(121)	(109)
Net cash provided by (used for) financing activities	<u>(256)</u>	<u>439</u>
Effect of exchange rate changes on total cash and cash equivalents	4	(50)
Net increase in total cash and cash equivalents	66	671
Cash and cash equivalents, beginning of period	1,254	1,001
Cash and cash equivalents, end of period	<u>\$ 1,320</u>	<u>\$ 1,672</u>
Financial Ratios:		
Free cash flow*	\$ 318	\$ 260

*Free cash flow is a non-GAAP financial measure and is calculated as Net cash provided by operating activities - Capital expenditures

Motorola Solutions, Inc. and Subsidiaries
Segment Information
(In millions)

	Net Sales		
	Three Months Ended		
	April 3, 2021	March 28, 2020	% Change
Products and Systems Integration	\$ 1,015	\$ 993	2 %
Software and Services	758	662	15 %
Total Motorola Solutions	\$ 1,773	\$ 1,655	7 %

	Operating Earnings		
	Three Months Ended		
	April 3, 2021	March 28, 2020	% Change
Products and Systems Integration	\$ 77	\$ 92	(16)%
Software and Services	221	167	32 %
Total Motorola Solutions	\$ 298	\$ 259	15 %

	Operating Earnings %		
	Three Months Ended		
	April 3, 2021	March 28, 2020	
Products and Systems Integration	7.6 %	9.3 %	
Software and Services	29.1 %	25.2 %	
Total Motorola Solutions	16.8 %	15.6 %	

Motorola Solutions, Inc. and Subsidiaries
**Non-GAAP Adjustments (Intangibles Amortization Expenses, Share-Based Compensation Expenses,
and Highlighted Items)**
(In millions)

Q1 2021

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Intangible assets amortization expense	Intangibles amortization	\$ 58	\$ 13	\$ 45	\$ 0.26
Share-based compensation expenses	Cost of sales, SG&A and R&D	29	6	23	0.13
Reorganization of business charges	Cost of sales and Other charges (income)	16	3	13	0.07
Operating lease asset impairments	Other charges (income)	7	1	6	0.03
Hytera-related legal expenses	SG&A	2	1	1	0.01
Acquisition-related transaction fees	Other charges (income)	1	—	1	0.01
Fair value adjustments to equity investments	Other income (expense)	(5)	(1)	(4)	(0.02)
Release of uncertain tax positions	Other income (expense)	(1)	4	(5)	(0.03)
Total impact on Net earnings		\$ 107	\$ 27	\$ 80	\$ 0.46

Motorola Solutions, Inc. and Subsidiaries
Non-GAAP Segment Information
(In millions)

	Net Sales		
	Three Months Ended		
	April 3, 2021	March 28, 2020	% Change
Products and Systems Integration	\$ 1,015	\$ 993	2 %
Software and Services	758	662	15 %
Total Motorola Solutions	\$ 1,773	\$ 1,655	7 %

	Non-GAAP Operating Earnings		
	Three Months Ended		
	April 3, 2021	March 28, 2020	% Change
Products and Systems Integration	\$ 131	\$ 123	7 %
Software and Services	280	224	25 %
Total Motorola Solutions	\$ 411	\$ 347	18 %

	Non-GAAP Operating Earnings %		
	Three Months Ended		
	April 3, 2021	March 28, 2020	
Products and Systems Integration	12.9 %	12.4 %	
Software and Services	36.9 %	33.8 %	
Total Motorola Solutions	23.2 %	21.0 %	

Motorola Solutions, Inc. and Subsidiaries
Operating Earnings after Non-GAAP Adjustments
(In millions)

Q1 2021

	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 1,773	\$ 1,015	\$ 758
Operating earnings ("OE")	\$ 298	\$ 77	\$ 221
Above-OE non-GAAP adjustments:			
Intangible assets amortization expense	58	13	45
Share-based compensation expenses	29	22	7
Reorganization of business charges	16	12	4
Operating lease asset impairment	7	5	2
Hytera-related legal expenses	2	2	—
Acquisition-related transaction fees	1	—	1
Total above-OE non-GAAP adjustments	113	54	59
Operating earnings after non-GAAP adjustments	\$ 411	\$ 131	\$ 280
Operating earnings as a percentage of net sales - GAAP	16.8 %	7.6 %	29.1 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	23.2 %	12.9 %	36.9 %

Motorola Solutions, Inc. and Subsidiaries
Non-GAAP Organic Revenue
(In millions)

	Three Months Ended		% Change
	April 3, 2021	March 28, 2020	
Net sales	\$ 1,773	\$ 1,655	7 %
Non-GAAP adjustments:			
Sales from acquisitions	49	1	
Organic revenue	\$ 1,724	\$ 1,654	4 %